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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL

In the Matter of)
)
Expanded Interconnection with) CC Docket No. 91-141
Local Telephone Company Facilities)
)
Amendment of the Part 69 Allocation) CC Docket No. 92-222
of General Support Facility Costs)

COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its comments in the above-captioned proceeding regarding the proposed change in the allocation of general support facility ("GSF") costs.

In its special access collocation order, the Commission issued a notice of proposed rulemaking regarding the treatment of GSF costs.¹ The Commission stated its belief that under its present rules, GSF costs are under-allocated to the common line access category and over-allocated to other access categories, including special access and transport. The Commission proposed to change the existing rule, Section 69.307, to adjust the allocations. Specifically, the Commission proposed to eliminate the words "excluding Category 1.3" from Section 69.307.²

¹ Expanded Interconnection with Local Telephone Company Facilities; Amendment of the Part 69 Allocation of General Support Facility Costs, CC Docket Nos. 91-141 and 92-222, Report and Order and Notice of Proposed Rulemaking (FCC 92-440), released October 19, 1992, paras. 267-269.

² Id., para. 269.

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While BellSouth agrees with the Commission's observation that under the Commission's rules cost misallocations occur, the rule identified by the Commission, Section 69.307, is not the only such rule. Indeed, the Commission's Part 36 and 69 rules necessarily embody the results of numerous compromises made among the interests of various stakeholders involved at the time the rules were adopted. Although these rules may have been workable in the beginning stages of the Commission's post-divestiture regulation of interstate access, they are inappropriate in the more competitive access arena of today.

With the advent of such increased competition, and especially with the greatly accelerated competition which collocation now brings, any regulatorily-mandated costing procedures must recognize that prices, to be sustainable, must be consistent with the realities of the market. To the extent that costs are relevant at all to a determination of the rate levels for competitive services,³ those services should be analyzed in terms of their economic costs and should not be required to be burdened by arbitrary allocations.

³ As BellSouth has discussed at length in other proceedings, the rates for new services should be established based upon market conditions. Costs should be relevant only to the identification of the price floor which is established based upon the incremental costs of the service. See, e.g., Open Network Architecture Tariffs of Bell Operating Companies, CC Docket No. 92-91, Direct Case of BellSouth, filed May 18, 1992.

In light of the above, BellSouth has urged and continues to urge the Commission to undertake immediately a comprehensive review of its rules with the aim of conforming them more closely to the technological, regulatory, and competitive needs of this new era. Among the needed reforms are changes to jurisdictional separations where the Commission can address in a complete fashion the competitive implications of noneconomic cost allocations.

Until such time that the Commission acts to revise its rules comprehensively, however, the Commission will have to afford LECs the latitude to adjust rates to realign the noneconomic effects of the Commission's rules. BellSouth believes that one such adjustment is associated with the GSF allocation. As the Commission's rules recognize, however, a change in Part 69 cost allocation has no direct impact on Price Cap companies. Therefore, reallocation of costs among baskets presumably must not be the only change intended by the Commission. For the Commission's proposal to have meaning, the price cap indices need to be changed.

While there may be several methods that the Commission could use to allow for the necessary changes,⁴ BellSouth believes that a waiver of Part 61 is the preferred approach in this case.

⁴ For instance, exogenous treatment could be granted.

The assumed intent of the proposed GSF change is to have the effect of lowering the PCI's for the traffic sensitive and special access baskets (and the associated API's and sub-indices assuming rate changes) and increasing the common line PCI. Section 61.45(g) of the Commission's rules is intended to recognize the possibility of above CAP filings by stating

In the event that a price cap tariff becomes effective, which results in a API value...that exceeds the currently applicable PCI value, the PCI value shall be adjusted upward to equal the API value.

While this rule specifically discusses an API in excess of the PCI, (similar to the intent of the GSF proposal) a similar approach could be used in the reverse situation, i.e., when the API is lowered (perhaps below band) to offset the above CAP situation, and when the common line basket (which does not have an API) is affected. Additionally, to accommodate the type of situation involving shifts among the baskets to reflect an adjustment such as GSF, BellSouth proposes that if the PCI is currently in excess of an API, that relationship should be allowed to remain after the API and PCI adjustments for GSF. If this were not permitted, companies would be forced to increase rates up to the PCI even when this was beyond the intent of the shift.

The level of the cost change caused by a reallocation of GSF, as proposed by the Commission, should be considered as adequate support and justification for the changes to the

indices as suggested by BellSouth. BellSouth believes the Commission should waive the applicable rules to the extent necessary in order to allow the PCI, API and related sub-indices to be adjusted to recognize a shift in GSF.

Such procedures as outlined above are at best stop-gap until such time as major reform of the Part 69 rate structure rules, the Part 36 jurisdictional cost allocations and the Part 61 price cap rules are accomplished. These rules must ultimately allow rates to be adjusted more readily in response to additional competitive pressures. In the interim, a waiver of the price cap rules is the most appropriate course of action to accommodate this interim step.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that I have this 4th day of December, 1992 serviced all parties to this action with a copy of the foregoing COMMENTS by placing a true and correct copy of same in the United States mail, postage prepaid, to those persons listed on the attached service list.

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